

**Transcript of Senate Floor Statement by
Senate Budget Committee Chairman Kent Conrad (D-ND)
Responding to Statements on the Economy by Vice President Cheney
February 15, 2002**

Mr. President, I noticed in "The Washington Times" of today the story headlined, "White House to show triumph of tax cuts." It says, "recession stalled, jobs added."

This is a news story that comes as a result of a speech to the Council on Foreign Relations by Vice President Cheney, and it indicates that he will present findings by the President's Council of Economic Advisors in answer to Democratic critics in Congress about the tax cut. The findings, a copy of which was obtained by "The Washington Times," show that third quarter growth last year would have contracted at an annual rate of 2.5 percent, instead of the reported 1.3 percent without the tax relief.

Mr. President, that shouldn't be any great surprise to anybody. What's surprising is the Republicans are attempting to claim credit for the tax cuts that occurred last year. Let's recall the history. Let's not be rewriting the history of what occurred here. Last year, it was the Democrats who were proposing much greater tax relief than the President's proposal, because we believed we needed to give lift to the economy.

Here it is. Here are the facts. For 2002, the President's budget proposed almost no tax relief. The Democratic budget resolution proposed \$60 billion of tax relief last year. Now those are the facts. Absolutely, Democrats were for more tax relief last year than the President proposed, because we thought we needed to give lift to the economy. In fact, we actually passed even greater tax relief than that. But this is what was in our budget. That's what was in the President's budget. Now I don't think the administration should be running out and claiming credit for what was our idea.

Mr. President, the difference on tax cuts -- and this goes into greater detail. This is the President's proposal last year. This was the Democrats' proposal. This is what actually passed - \$73 billion, \$33 billion in a rebate, corporate tax changes of \$40 billion, some of them just timing questions that had no impact and stimulus.

In terms of the fundamental question about differences in tax cuts, we were not in favor of as much of a tax cut over the 10 years. While we favored a much bigger tax cut last year in order to give lift to the economy than the President proposed, we proposed a much smaller tax cut over the 10 years because we were concerned about the impact on long-term interest rates.

Our tax proposal was \$750 billion over 10 years of tax relief. The President's proposal was \$1.6 trillion. And we said at the time we feared his tax proposal was too large and would threaten the Social Security and Medicare trust funds. Mr. President, guess what? We were

right on both counts. We were right to support a bigger tax cut last year to give lift to the economy. We were right to support a smaller tax cut over the 10 years, because it endangered the trust funds of Social Security and Medicare, and the facts are now in, and it's just as clear as it can be we were right.

The President's new budget shows that he will be taking \$2.2 trillion over the next 10 years out of the trust funds of Medicare and Social Security. In Social Security alone, the President will be taking over \$1.6 trillion of Social Security trust fund money to pay for his tax cut and his other spending priorities. That's a fact. And so, yes, tax cuts are beneficial at a time of economic slow down. Democrats proposed them. And again, the budget difference is very clear. The budget difference, in terms of what was proposed, is right here. This is the President's budget, \$183 billion. That's what he proposed for tax relief in his budget for last year. Our budget resolution had \$60 billion of tax relief. That's the fact.

Let's not get confused about the one year and the 10 year. It is absolutely true that over 10 years we proposed smaller tax cuts so as not to raid the Social Security and Medicare trust funds. But for the Vice President to run out now and claim that the tax cuts of last year were really their idea, you've got to go back and look at the budget they submitted. It wasn't their idea. It was the idea of the Democrats who proposed much more significant tax relief last year to give lift to the economy. That's the fact.

Mr. President, we also said last year that -- we also said that the 10 year tax cut that the President proposed would have an adverse effect on long-term interest rates. And again, I think the evidence is now quite clear. Here's what we see in terms of short-term rates versus long-term rates. We have had how many reductions by the Federal Reserve now? Eight? Eleven reductions by the Federal Reserve. And you can see that in the short-term rates. Eleven reductions. Short-term rates have come down smartly. But look at long-term rates. Long-term rates have been largely stuck. They've not come down. And that was one of the concerns we had about the President's long-term proposal, that the markets could see that his budget plan did not add up and that that would put pressure on long-term rates and keep them high. Mr. President, that's exactly what's happened. These rates are higher than we believe they would otherwise have been. It's true that short-term rates have come down dramatically. Long-term rates have not. And so we believe our position has been confirmed on all counts.

Number one, we supported more tax cuts last year in our budget than the President did in his, because we wanted to give lift to the economy at a time of economic weakness. Now the Republican White House is going out and saying they're the ones that had the idea. They were not. Anybody who cares to research it can go back and look at the President's budget. Not just the first budget he submitted, but the second budget he submitted, the follow-on budget in the spring. Same thing. He had virtually no tax cut last year. This shows the Bush February budget had virtually no tax cut and his April budget had virtually no tax cut.

People were pushing for a big tax cut last year for the year 2002 were those of us on this

side of the aisle. Democrats. And we were right. And as it turns out, we were also right to oppose the size of his 10 year tax reduction, because we said then two things. One, it would endanger the trust funds of Social Security and Medicare. And we now know that's true. Number two, we said it would put upward pressure on interest rates, that even at a time when the Federal Reserve was lowering short-term rates, it would hold long-term rates up. That's exactly what we see. The evidence is in. It's just as clear as it can be.

Mr. President, I hope very much as we move forward this year we can move to rectify fiscal mistakes that were made last year, because the raids on the Social Security and Medicare trust funds under the President's budget plan are dramatic. Here are the facts. The President is going to be taking every penny of the Medicare trust fund surpluses over the next 10 years to pay for his tax cuts and to pay for other spending priorities. Every dime. Over \$500 billion according to his own calculations. The President is going to be taking under his budget plan over \$1.6 trillion of Social Security surpluses over the next decade to pay for his tax cuts and other spending priorities. It's in his budget. That's his plan. There's only \$600 billion left. Every dime of which is Social Security money. And the Congressional Budget Office, we believe when they rescore the President's proposal, will show that virtually all of that is gone because the President has dramatically underestimated the cost of Medicare over the next 10 years.

Yesterday, in a hearing with Health and Human Services Secretary Tommy Thompson, I showed that the Congressional Budget Office believes that the President's budget has underestimated the cost of Medicare by \$300 billion over the next decade. So there's no money left except Social Security money. That's the hard reality. And the President's budget has taken most of that.

So, Mr. President, I believe history will show very clearly that Democrats last year proposed a greater tax cut in 2002 to try to give lift to the economy, but we proposed a more modest tax cut over the 10 years, because we did not want to endanger the trust funds of Social Security and Medicare, and we did not want to keep long-term rates from following short-term interest rates down. Because that also gives lift to the economy.

And what's important to understand is that fiscal policy, that is the spending and tax policy of the federal government, can adversely affect the monetary policy that is guided by the Federal Reserve Board. And while we move to give lift to the economy through stimulus, that can all be countered by interest rates. If interest rates go up, or stay high, that can prevent the economy from gaining strength and moving forward.

Mr. President, facts are stubborn things, as a previous President said. And I believe the facts of who stood where with respect to economic policy are just as clear as they can be. Absolutely, tax cuts last year helped reduce the impact of the recession. But it was Democrats who advocated substantial tax cuts last year. It was not the President. Either in his February budget or in his April budget, he had virtually no tax relief last year. That's the fact.